Better Marketing

Division of Marketing and Marketing Agreements

· · AGRICULTURAL · ADJUSTMENT · ADMINISTRATION · ·

Vol. I WASHINGTON, JULY 11, 1936 NO. 8

GROUPS MEET PROBLEMS THROUGH MARKET PLANS

Foresight of Growers and Handlers Revealed in Operation of Marketing Agreement Programs

The 1936 marketing season for fresh fruits and vegetables, now under way in many parts of the country, finds marketing-agreement programs in use by grower and handler groups for the third consecutive year. Developed under the provisions of the Agricultural Adjustment Act as amended, these programs are designed to improve returns to growers and stabilize marketing conditions on an industry-wide basis.

The foresight of producer and handler groups in having available an industry-wide plan adapted to meet situations in which control of shipments as a means of stabilizing markets was needed has been amply demonstrated in the operations of several of the marketing-agreement programs during the past several weeks.

Prevent Glut of Watermelons

A marketing agreement and order are in effect for watermelons grown in Florida, Georgia, North Carolina, and South Carolina. The crop in the early shipping districts of Florida and Georgia was such that small shipments and relatively favorable prices prevailed generally. This situation continued until about June 25 when rapidly increasing shipments failed to find corresponding increases in consumer demand with the result that supplies accumulated in the wholesale markets and f. o. b. sales at shipping points fell off materially. Control of shipments in the form of a "shipping holiday" was instituted for a period of 48 hours, beginning July 3. During this period no watermelons could be shipped.

Because the condition of the watermelon markets during the July 4 holiday period has an important bearing on subsequent market prices and the level of total returns which growers receive for the crop, the necessity for this regulation was generally understood and it received the cooperation of growers and handlers alike. Subsequent control of watermelon shipments under the agreement and order is provided for should it be needed in meeting other adverse market situations this season.

Growers and handlers under the agreement program for California deciduous fruits, including fresh pears, plums, and Elberta peaches, have put into effect a number of shipment control regulations. For the most part, these regulations re-

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Encouragement of Wheat Flour Sales to Philippines to Continue

Exports to the Philippine Islands of flour milled from wheat produced in the States of Washington, Oregon, and Idaho will continue to be encouraged under an authorization approved by the Secretary of Agriculture. This authorization in effect continues for 1 year the program for indemnifying losses incurred by exporters of Pacific Northwest wheat to the Philippines which was announced last February and by limitation expired June 30.

The new program will be in operation from July 1 to June 30, 1937. Indemnity payments to exporters are limited to a total of 575,300 barrels of flour, and shipments to the Philippines must be made by August 15, 1937. The program is to be financed from funds made available to the Secretary of Agriculture under the provisions of section 32 of the amendments to the Agricultural Adjustment Act which were approved last August.

Export sales of flour to the Philippines under the original program from March 5, when it was inaugurated, exceeded 190,200 barrels.

COLORADO PEACH PLAN TENTATIVELY APPROVED

Grade and Size Provisions and Price Posting Are Features of Marketing Agreement Program

A marketing agreement for handlers of peaches grown in Mesa and Delta Counties of Colorado, tentatively approved by the Secretary of Agriculture, has been sent to handlers for signature. Growers are being requested to indicate whether they favor issuance of an order embodying the provisions of the agreement.

The agreement would continue in effect a program similar to that which has been in effect under the provisions of the Agricultural Adjustment Act since November 1934. Its principal provisions govern limitation of shipments of any grade or size of peaches, filing and posting of prices at which peaches are quoted or sold by handlers, and selection of a control board to administer the marketing program.

Shipments of peaches during a period of regulation would be graded, and the grades certified by the Federal-State inspection service. Grading and inspection in Colorado are required by State law at the present time.

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GOVERNMENT ORGANIZES AID TO DROUGHT AREAS

Measures Launched to Help Farmers Conserve Their Resources From Effects of Drought

While rainless days and high temperatures during the last 2 weeks intensified drought conditions in important agricultural areas of the country, agencies of the Federal Government proceeded to put into immediate effect measures designed to bring relief to farmers in drought-stricken areas.

A wide territory, from the Continental Divide in Montana to the Minnesota line and extending south through eastern Wyoming and South Dakota, has been most seriously affected by this year's drought. Much of this same area suffered severely during the 1934 drought.

The States most affected in the drought so far this year include all or large parts of North Dakota, South Dakota, Montana, and Wyoming. While recent rains have eased the situation in Arkansas, Missouri, Louisiana, Tennessee, Kentucky, Georgia, North and South Carolina, Virginia, and West Virginia, the effects of drought have caused serious injury to crops and pastures.

The establishment of the Department of Agriculture Drought Committee by Secretary of Agriculture Henry A. Wallace to plan and coordinate drought-aid activities, was the first step toward rendering assistance to farmers in the affected areas. This committee headed by J. W. Tapp, Assistant Administrator of the Agricultural Adjustment Administration, includes C. W. Warburton, Director, Agricultural Extension Service; Hugh H. Bennett, Chief, Soil Conservation Service; A. G. Black, Chief, Bureau of Agricultural Economics; W. F. Callander, Assistant Administrator, Agricultural Adjustment Administration; and Ira N. Gabrielson, Chief, Bureau of Biological Survey. Joseph L. Dailey, Assistant Administrator of the Resettlement Administration, and Lawrence Westbrook, chairman of the Advisory Board, Works Progress Administration, also are serving on this committee.

Steps Already Taken

Measures put into effect by this committee are designed to aid farmers in drought States to conserve their resources insofar as is possible. Steps already taken include:

1. Establishment of a Federal livestock feed agency to serve as a clearing house for information that will facili-

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JESSE W. TAPP, *Director*

BETTER MARKETING is issued as a means of communicating to workers and cooperators of the Division of Marketing and Marketing Agreements information relative to the Division's activities under the Agricultural Adjustment Act and related Acts.

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.

NATHAN KOENIG, *Editor*, BETTER MARKETING

GROUPS MEET PROBLEMS

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late to limiting the shipments of these fruits to certain grades and sizes, thereby eliminating the grades and sizes which are undesirable from a market standpoint and which are not likely to bring enough to cover the expenses of harvesting and marketing.

In addition to limiting shipments of Bartlett pears to sizes larger than 195 per standard box, the total movement from California is also being limited to a maximum of 60 carloads daily through the railroad concentration plan which has been in use during the past several seasons in adjusting the shipment of Bartlett pears to the condition of the markets and the demands of consumers.

Vegetable Program

Growers and shippers of lettuce, peas, and cauliflower in western Washington found it necessary to take steps under their agreement program to control the shipments of fresh peas during a brief period of excessive market supplies. This came after the first 2 weeks of the season, when prices were relatively favorable and sales were largely on an f. o. b. basis. This condition was quickly followed, however, by the disappearance of f. o. b. sales and the piling up of available supplies. The quantity of peas which were thus withheld from fresh market shipment was purchased for distribution for relief purposes.

Citrus Agreements

The operation of the California-Arizona citrus agreement program continued satisfactorily throughout the navel orange season. Shipments of Valencia oranges are now being made from southern California since the movement from the northern and central California districts has been completed. The total allotment for interstate shipment and to Canada has varied from 1,300 to 1,600 cars weekly depending upon the condition of the markets and the quality of the fruit. At present, growers are receiving favorable prices and prospects are for continuation of favorable price levels throughout the remainder of the Valencia season.

The control committee of the Florida citrus agreement and order is making preliminary plans for the operation of the program during the coming season. Considerable thought is being given to coordinating operations under the agreement program with those under the various State laws relating to the marketing of citrus fruit.

In addition to these programs now in active operation, Colorado growers and handlers of vegetables and peaches are giving consideration to the completion of agreement programs for these commodities to be used this season if needed.

NETHERLANDS, SWEDEN TAX DAIRY PRODUCTS

Special Laws Provide for Taxes and Subsidy Payments as Aids To Dairymen

[*This is the seventh of a series of articles on world trade in butter as it relates to butter production and marketing in the United States*]

Taxes on dairy products are among the mechanisms employed by the Netherlands and Sweden in connection with programs designed to increase returns to milk producers and subsidize sales of dairy products in these two countries.

Relief to dairy farmers in the Netherlands was provided for in the Crisis Dairy Act, enacted in July 1932, and in the Agricultural Crisis Act, enacted in August 1933.

Netherlands' Measures

The objective of these measures was to secure prices to producers approaching cost of production. These laws provided for the levying of a consumption tax on butter domestically consumed. The laws also require that margarine intended for domestic consumption should contain a certain proportion of butter. All butter and other edible fats sold for domestic consumption were required to have a stamp affixed, which was the method of collecting the consumption tax. A similar tax was levied on margarine, the rate of which was to vary with the butterfat content. In addition, special taxes on imports of fats were levied through the requirement that importers take out "transport permits." Similar permits were required with respect to exports. The sums collected in consumption and special taxes were placed in a fund from which payments were made to producers.

In July 1932 the consumption tax on butter amounted to 0.42 florin per kilogram, but was increased thereafter. In January 1935 it was 0.90 florin; in March 1935, 1.10 florins; and in June 1935, 1.00 florin.

A program involving a reduction in milk production through a reduction in cow numbers has been in operation in the Netherlands since October 1933. Between that month and March 1934 over 119,000 cattle were slaughtered. After suspending this program for a time, the Government announced in the autumn of 1934 that 150,000 additional cattle would be slaughtered. The meat was canned and distributed to the needy. Another

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AID TO DROUGHT AREAS

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tate the rapid and efficient transfer of feed and livestock in drought-affected areas.

2. Freight-rate reductions granted by the Interstate Commerce Commission for shipping cattle out of drought areas to pasture.

3. A Federal survey to determine the location and quantities of livestock feed supplies which may readily be obtained for use in drought areas.

4. Shipment of 8,000 to 10,000 tons of mill feed for distribution to farmers for livestock feeding in States affected by drought.

5. Development of plans for purchasing and processing for relief distribution a limited number of cattle in case a severe liquidation of livestock from drought-hit territory is necessary.

In addition to the above measures, the Agricultural Adjustment Administration has modified the 1936 agricultural conservation program in an effort to aid farmers to increase the production of food and feed crops in drought-affected areas without affecting payments under the program, providing they comply with the requirements.

Feed Agency Functions

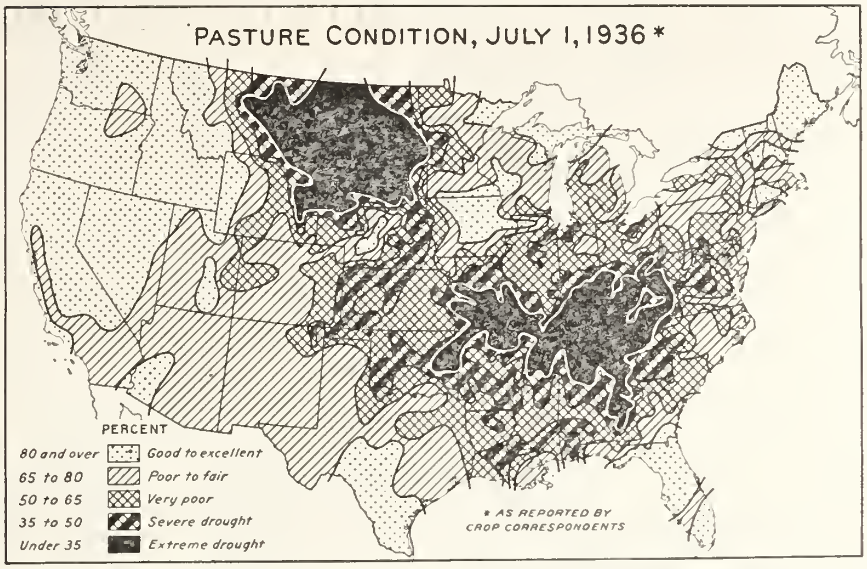
The Federal Livestock Feed Agency is being operated by the Bureau of Agricultural Economics. Headquarters have been established in Kansas City, Mo. A similar information service operated during the 1934 drought. Its function is to locate surplus supplies of feed, to advise farmers and livestock feeders in drought areas where they should be able to purchase their feed at the lowest cost, and to facilitate the sale and transfer of cattle from regions where there is a shortage of feed supplies, water, and pasture. The Agency itself will not buy or sell feed or livestock, or make loans.

The information service will list, without cost, for farmers, shippers, dealers, jobbers, and feed manufacturers any grain, feed, hay, or forage which they may have for sale and available for shipment to drought areas. It will furnish the buyers of feed in drought areas information as to supplies of various kinds of feeds, the price, and the sources from which the supplies might be obtained at least cost.

A comparable service will be rendered sellers and purchasers of livestock.

Other functions of the Agency will include the furnishing of information as to procedure to be followed in obtaining emergency freight rates on livestock leaving drought areas and in obtaining inspection of grain and hay, information on the method of shipping and the method of sale or purchasing of hay and other feed, and the dissemination of information relative to the supply, demand, and price of feed and also of stocker and feeder cattle and other livestock. A drought market news service will be issued to farmers, county agricultural agents, State officials, feed dealers, and all other persons interested to keep them informed currently as to available supplies, demand, market movement, and prices.

An inspection service, an extension of the regular service offered by the Bureau of Agricultural Economics, will be



provided by the Agency to determine the grade and class of hay and other roughage offered for shipment to the drought areas or received at stations in the drought territory.

Limited Purchases of Cattle

The purchase program, developed largely as a precautionary measure to provide relief in case of a severe drought liquidation of livestock, has a tentative allotment of $5,000,000 from the funds made available to the Secretary of Agriculture under section 32 of the amendments to the Agricultural Adjustment Act of August 1935.

Specifications for bids on the purchasing and processing of cattle which may be obtained by the Government have been sent by the Commodities Purchase Section to Midwest packers and canners. All bids must be returned by July 15. The meat products obtained would be turned over to the Federal Surplus Commodities Corporation and later donated to State relief agencies for distribution to needy families.

The extent and character of purchases which may be made will depend very largely on developments with respect to the feed situation in the major feed-producing areas during the next 2 or 3 weeks and upon prices in principal markets to which livestock from affected areas is moving.

Any open-market purchases necessary under the program will be made in such manner so as not to interfere with the normal movement of stocker and feeder cattle to regions where they are ordinarily fed out for market.

An extensive cattle-buying program will not be necessary if sufficient rainfall is received shortly in areas not now seriously affected by the drought. These areas then would be able to absorb the stocker and feeder cattle forced off the range.

All emergency cattle purchasing operations will be kept as flexible as possible, in order that they may be limited or terminated if adequate rains are received in the principal feed-producing areas, and if the normal demand for slaughter and feeding prevents the demoralization of livestock markets.

Funds available for livestock purchases can be used only for obtaining animals suitable for human consumption. Payments to farmers and ranchers would consist of purchase payments only. Additional benefit payments, free from liens and received by farmers who under the 1934 emergency buying program agreed to participate in subsequent production adjustment programs, are not possible this year.

Details of the program will be adapted to meet the needs as they develop. Purchases would help to prevent market gluts particularly for the unfinished types of cattle which may be forced off the ranges in the Dakotas, Montana, and Wyoming—the cattle-grazing region hardest hit by drought and high temperatures. Efforts to keep livestock liquidation to the lowest level consistent with the feed situation will be undertaken by the Federal Livestock Feed Agency.

Freight-Rate Reductions

The reduced freight rates which have been obtained apply to shipments of livestock from drought areas out to good pastures and eventually back again. Rates of 85 percent for outgoing shipments and 15 percent for return shipments have been allowed. Farmers in a position to take advantage of the reduced rates will thus be able to maintain their foundation herds.

The 8,000 to 10,000 tons of mill feed for use in drought areas was made available by the Secretary of Agriculture to the Federal Surplus Commodities Corporation. The Corporation is turning this feed over to State relief agencies for distribution to farmers for the feeding of livestock.

This mill feed is a byproduct from the milling of flour for relief use from wheat purchased by the Government in the Pacific Northwestern States with funds made available to the Secretary of Agriculture under section 32 of the amendments to the Agricultural Adjustment Act approved last August.

An Inter-Departmental Drought Committee appointed by the President serves to accelerate and coordinate the drought-relief activities of the various governmental agencies.

Secretary of Agriculture Wallace is chairman of this committee. Other members are Daniel W. Bell, Acting Director of the Budget, representing the Treasury Department; Rexford G. Tugwell, Administrator, Resettlement Administration; and Aubrey Williams, Assistant Administrator, Works Progress Administration.

Development of Drought Relief Plans Aided by 1934 Experience

Development of measures to ease the effects of the drought this year was greatly facilitated by the experience obtained in extending aid to farmers in stricken areas during the drought of 1934. In many respects, the measures developed to meet the present situation are similar to those used 2 years ago.

The Federal Government's unusual preparedness for the drought of 1934 was due to the fact that Congress had created emergency agencies with broad and flexible powers to meet any critical situation, and that these agencies were already in operation when the drought became acute.

The 1934 drought which forced prices of certain grades of cattle to new low levels, created an immediate emergency in which water, feed, and forage supplies were cut sharply under the requirements of the peak number of cattle on farms. Producers were left with the alternative of rushing their stock to market in unfinished condition and without regard to the effect on prices, or of leaving the animals on farms and ranges to die of thirst and starvation.

Livestock-Purchase Program

In order to meet the critical situation confronting livestock owners during the drought of 1934, the Agricultural Adjustment Administration inaugurated a livestock purchase program. Purchases made in this program served to relieve commercial markets of the pressure of distress stock and prevented their glutting to a point that would have forced prices still lower throughout the whole country. The orderly liquidation made possible through this program encouraged culling of inferior animals and assured maintenance of a plentiful supply of foundation livestock on farms in the drought-hit areas.

Animals bought were donated by the Agricultural Adjustment Administration to the Federal Surplus Relief Corporation, now the Federal Surplus Commodities Corporation, for slaughter, processing, and distribution through relief channels.

Purchases of cattle and calves, made in 24 States, approximated 8,280,000 head at an expenditure of around $111,546,000. Because of starvation and thirst, approximately 1,485,000 were unfit for food purposes and were con-

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DROUGHT AID EXPERIENCE

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demned, leaving over 6,794,000 which were processed.

From these animals approximately 218,115,000 pounds of fresh beef and veal, 535,591,000 pounds of canned beef and veal, and 12,884,000 pounds of boned fresh beef and veal, representing a total market value of around $125,500,000, were made available for distribution to the needy and unemployed throughout the country.

In addition to the cattle, over 3,609,000 sheep and 350,000 goats were bought in the 1934 drought-relief program. Of these purchases, over 2,209,000 sheep and 254,000 goats were condemned, and the remainder used for relief purposes.

The total expenditure for livestock in the 1934 purchase program approximated $119,256,000.

Feed Supplies Conserved

During the 1934 drought, it was the policy of the Agricultural Adjustment Administration to encourage the conservation of feed, roughage, and seed supplies, and to direct the movement of feed and forage from surplus to deficit areas through market channels. When the drought grew more critical, it became necessary to make some purchases of roughage and adapted varieties of seed in order to conserve supplies for future use. Modifications in the 1934 agricultural adjustment program served to encourage the production of emergency feed and forage crops. The establishment of the Federal Livestock Feed Agency at Kansas City served farmers in the drought areas with information as to best sources of feed and forage supplies.

FOREIGN DAIRY PROBLEMS

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phase of this program involved the limitation of the number of calves to be kept for milk to 410,000 in 1934. The administration of the program was vested in the Cattle Central.

Further measures to aid the dairy industry included an educational campaign to increase fluid-milk consumption, the distribution of margarine (which contains no butter) to the unemployed, and a compulsory requirement that creameries return to producers a portion of the skim milk yielded in separating cream from whole milk.

A program designed to control the production of milk was instituted in June 1935. This program provided for the payment of a subsidy on a base quantity of milk produced by each farmer, while for milk produced in excess of this base a penalty was to be imposed. The original total allotment was computed on the basis of an 11-percent reduction from the average production during 1933 and 1934, though individual producer's bases varied according to type of farm. The bases apply, however, only for milk intended for sale as milk or in the form of some manufactured product or cream. Provision was also made for the licensing of farms producing butter.

The subsidy paid on basic quantities of milk amounted to 0.0288 florin per kilogram in June 1935. The program was financed by a tax "on exports of dairy products to countries which have imposed quota regulations."

Sweden's Program

According to a decree of June 30, 1932, as amended by later legislation, a tax was to be placed on all milk sales and on the use of milk in the production of manufactured products or for cream, in Sweden. The proceeds of this tax were to be used to pay a bounty on butter exported from the country. In this manner, producers were to receive a uniform return on butter and other dairy products regardless of whether such dairy products were exported or sold for home consumption. The administration of the program was vested in a State milk committee while the funds "are administered by the Swedish Dairy Farmers' National Union."

Further measures to aid the dairy industry included the imposition of higher import duties on imports of margarine and an excise tax on margarine produced within the country. In addition, a monopoly to import dairy products was granted to the State Milk Committee.

The program with respect to the levy on milk has been extended and expanded since it was originally instituted. In addition to the payment of bounties on exported dairy products, the proceeds are used for payments to equalize returns from milk used for various purposes and to meet the expenses incurred in the operation of the various measures adopted with respect to the dairy industry.

D. C. MILK MARKETING PLAN HEARING JULY 20

Producer Groups Ask for Agreement Program As Means of Improving Milk-Selling Conditions

A proposed marketing agreement and order for handlers of milk in the District of Columbia marketing area will be considered at a public hearing to be held July 20, in the auditorium of the south building of the Department of Agriculture.

Developed at the request of representatives of producers and the Maryland-Virginia Milk Producers' Association, supplying the District of Columbia with milk, the proposed program is designed to improve marketing conditions for producers.

The principal provisions govern minimum prices which handlers would be required to pay for milk bought from producers, the classification of milk bought by handlers on a use basis, and a method of paying producers uniform returns in the form of the class 1 price for their base milk and a uniform price for milk in excess of base. Administration of the program would be through a market administrator.

Class 1 milk would include all milk or cream received by each handler from producers or an association of producers, except that milk which is handled so as to be classed in class 2.

Class 2 milk would include all milk or cream received by any handler from producers which is sold to the Maryland-Virginia Milk Producers' Association, or to a person who is a manufacturer of ice-cream which is sold at wholesale; provided that the handler gave the market administrator reasonable opportunity to inspect this milk or cream prior to sale, and filed with the market administrator a sworn invoice of such sale.

Prices to Producers

Each handler would be required to pay for class 1 milk bought at the handler's plant from any association of producers not less than $3.08 per hundredweight subject to (*a*) the deduction of 35 cents per hundredweight if the handler's plant is located more than 35 miles from the nearest boundary of the marketing area, or if such milk is delivered to the handler's plant as cream and (*b*) the addition or deduction, as the case may be, of 6 cents per hundredweight for each one-tenth of 1 percent above or below 4-percent butterfat content of delivered milk.

For class 1 milk bought from producers, handlers would be required to pay not less than $2.80 per hundredweight subject to the deduction of 35 cents per hundredweight if the handler's plant is located more than 35 miles from the nearest boundary of the marketing area, or if this milk is delivered to the handler's plant as cream.

Each handler would pay producers for class 2 milk the amount received by the handler for the cream manufactured from this milk, or if sold as milk, the amount received for this milk, less 35 cents per hundredweight, as shown by sworn invoices filed with the market administrator; provided that the amount paid is not less than the equivalent of the standing offer of the Maryland-Virginia Producers' Association to buy cream on file with the market administrator.

Provision is made for the payment of premiums for milk from those producers reported by the health officer of the District of Columbia as having a farm and cattle score greater than 80.

COLORADO PEACH PLAN

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The price-posting provision would require handlers to file with the control board prices which they expect to quote, offer for sale, or sell peaches to the trade. A revision of prices may be filed by handlers at any time. In this connection, a provision is made for ample time in which other handlers may become informed as to price changes before they are effective. As contained in the agreement, the price-posting provision is designed to give the industry a more complete knowledge of the market situation in order to maintain more stable marketing conditions.

The control board in charge of administration of the program would consist of 13 members, 6 of which would represent the handlers of peaches in Mesa County, 1 to represent handlers of peaches in Delta County, 4 to represent growers of peaches in Mesa County, and 2 to represent growers of peaches in Delta County.

Expenses in connection with administering the program would be borne by handlers on a pro-rata basis according to the proportion each handler's shipments bear to the total shipments.

U. S. GOVERNMENT PRINTING OFFICE: 1936